

**REPORT OF THE AUDIT OF THE  
HOPKINS COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Patricia Hawkins, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Hopkins County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HOPKINS COUNTY FISCAL COURT**

**June 30, 2005**

Peercy and Gray, PSC has completed the audit of the Hopkins County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had net assets of \$9,089,799 as of June 30, 2005. The fiscal court had unrestricted net assets of \$6,483,235 in its governmental activities as of June 30, 2005, with total net assets of \$9,030,192. In its business-type activities, total net cash and cash equivalents were \$60,696 with total net assets of \$65,896. The fiscal court had total debt principal as of June 30, 2005 of \$10,930,000 with \$695,000 due within the next year

#### **Report Comment:**

- The Former Jailer, Jim Lantrip, Had Undisclosed Cash Disbursements Of \$29,693

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
HOPKINS COUNTY OFFICIALS .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	17
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	20
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	28
RECONCILIATION OF THE STATEMENT OF REVENUES, AND CHANGES IN FUND BALANCES OF STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	33
EXPENDITURES, GOVERNMENTAL FUNDS TO THE	
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	37
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	41
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	45
NOTES TO FINANCIAL STATEMENTS.....	48
BUDGETARY COMPARISON SCHEDULES .....	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	66
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	69
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	73
COMMENTS AND RECOMMENDATIONS .....	77
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	81
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	







## **PEERCY AND GRAY, PSC**

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Patricia Hawkins, Hopkins County Judge/Executive

Members of the Hopkins County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hopkins County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Hopkins County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Patricia Hawkins, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopkins County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2005 on our consideration of Hopkins County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comment.

- The Former Jailer, Jim Lantrip, Had Undisclosed Cash Disbursements Of \$29,693.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

Audit fieldwork completed -  
November 3, 2005

HOPKINS COUNTY OFFICIALS

For The Year Ended June 30, 2005

**Fiscal Court Members:**

Patricia Hawkins	County Judge/Executive
Karol Welch	Magistrate
Coletta Wheeler	Magistrate
Tim Riggs	Magistrate
Larry Wilson	Magistrate
Larry Rogers	Magistrate
Mike Duncan	Magistrate
Jon Garrett	Magistrate

**Other Elected Officials:**

Robert Moore	County Attorney
Jim Lantrip	Jailer
Devra Steckler	County Clerk
Carolyn Polley	Circuit Court Clerk
S. Frank Latham	Sheriff
David Gordon	Property Valuation Administrator
John Walters	Coroner

**Appointed Personnel:**

Cindy Jones	County Treasurer
-------------	------------------

THIS PAGE LEFT BLANK INTENTIONALLY



# HOPKINS COUNTY FISCAL COURT

Hopkins County Government Center  
56 North Main Street • P. O. Box 523  
Madisonville, Kentucky 42431  
270-821-8294 • Fax 270-821-8295  
Email: judgeexecutive@hopkinscounty.net

**JUDGE EXECUTIVE**  
**Patricia Hawkins**

## **Management's Discussion and Analysis** **June 30, 2005**

The financial management of Hopkins County, Kentucky offers readers of Hopkins County's financial statements this narrative overview and analysis of the financial activities of Hopkins County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights.**

- Hopkins County had net assets of \$9,089,799 as of June 30, 2005. The fiscal court had unrestricted net assets of \$6,483,285 in its governmental activities as of June 30, 2005. In its business-type activities, cash and cash equivalents were \$60,696 with total net assets of \$65,896.
- Total net assets decreased \$897,389 during fiscal year 2005.
- At the close of the current fiscal year, Hopkins County governmental funds reported current assets of \$6,483,576. Of this amount, \$6,269,041 is available for spending at the government's discretion (unreserved fund balance).
- Hopkins County's total indebtedness at the close of fiscal year June 30, 2005 was \$10,930,000, of which \$10,235,000 is long-term debt (due after 1 year) and \$695,000 is the current maturities of long-term debt (to be paid within 1 year).

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Hopkins County's basic financial statements. Hopkins County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of comparison schedules.

#### **MAGISTRATES**

**Karol Welch**  
District 1

**Coletta Wheeler**  
District 2

**Tim Riggs**  
District 3

**Larry Wilson**  
District 4

**Larry Rogers**  
District 5

**Mike Duncan**  
District 6

**Jon Garrett**  
District 7

**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
(Continued)

**Government-wide Financial Statements.**

The *government-wide financial statements* are designed to provide readers with a broad overview of Hopkins County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Hopkins County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hopkins County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Hopkins County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, roads, debt service, capital projects, and administration. Hopkins County has one business type activity - Jail Canteen.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hopkins County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Hopkins County can be divided into broad categories: *governmental funds and proprietary funds*.

**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
(Continued)

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Hopkins County maintains (7) seven individual governmental funds. All of the governmental funds, except the general fund, are considered special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund (LGEA)
- Contingency Fund

Non-major Funds:

- Tourism Fund
- Local Government Economic Development Fund

Hopkins County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Contingency Fund to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
(Continued)

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Table 1 is an abbreviated statement of net assets.

**Table 1**  
**Hopkins County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2005</b>
<b>Assets</b>					
Current and					
Other Assets	7,214,426	6,487,576	32,782	60,696	6,544,272
Capital Assets	12,914,980	13,470,327		5,200	13,475,527
Total Assets	20,129,406	19,953,903	32,782	65,896	20,019,799
<b>Liabilities</b>					
Current and					
Other					
Liabilities	420,000	695,000			695,000
Long-Term					
Liabilities	9,755,000	10,235,000			10,235,000
Total					
Liabilities	10,175,000	10,930,000			10,930,000
<b>Net Assets</b>					
Invested in					
Capital					
Assets, net of					
Related Debt	2,739,980	2,540,327		5,200	2,545,527
Restricted	81	291	5,737	6,550	6,841
Unrestricted	7,214,345	6,483,285	27,045	54,145	6,537,431
<b>Total Net</b>					
<b>Assets</b>	<b>9,954,406</b>	<b>9,023,903</b>	<b>32,782</b>	<b>65,895</b>	<b>9,089,799</b>

**Changes in Net Assets**

- *Governmental Activities.* Investment in capital assets and infrastructure, net of related debt decreased \$199,653 primarily due to the issuance of refunding bonds used to pay off previous refunding bonds, as well as, changes in capital assets net of depreciation.
- *Business-Type Activities.* Hopkins County's net assets increased by \$33,113 in fiscal year 2005 primarily due to more items sold.

**Statement of Activities.** As noted earlier this statement shows how the government's net assets changed during the year. Table 2 shows a comparison of 2005 and 2004 figures. The graphs that follow illustrate how the County's net assets changed for 2005.



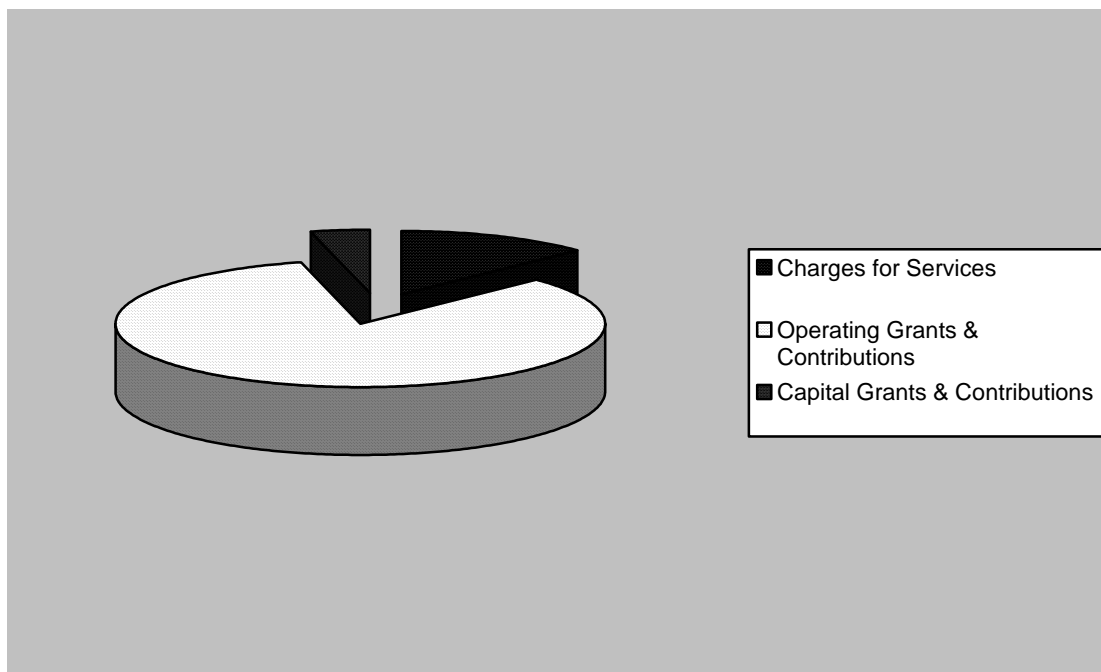
**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
(Continued)

**Table 2**  
**Hopkins County's Activities**

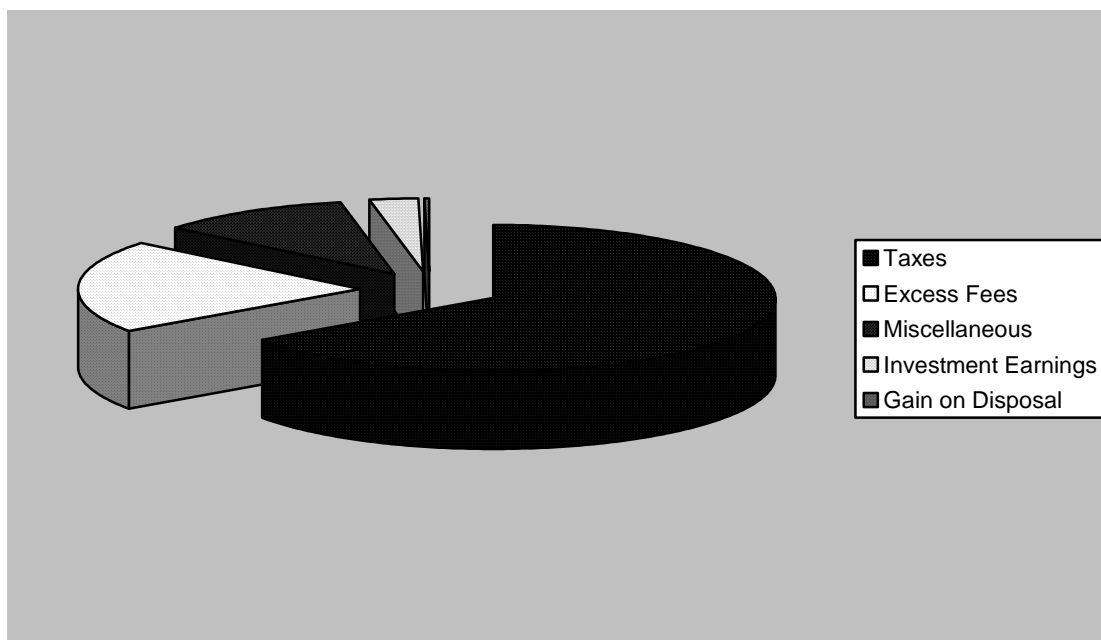
	2004	2005
<b>Program Revenues:</b>		
Charges for Services	\$ 901,310	\$ 892,149
Operating Grants and Contributions	7,344,965	5,820,778
Capital Grants and Contributions	<u>400,000</u>	<u>262,208</u>
Total Program Revenues	<u>8,646,275</u>	<u>6,975,135</u>
<b>General Revenues:</b>		
Taxes	4,954,276	5,137,691
Excess Fees	1,710,444	1,615,766
Unrestricted Investment Earnings	102,453	200,964
Gain on Disposal		32,533
Miscellaneous Revenues	<u>760,327</u>	<u>888,332</u>
Total General Revenue	<u>7,527,500</u>	<u>7,875,286</u>
Total Revenues	\$ 16,173,775	\$14,850,421
<b>Program Expenses:</b>		
General Government	\$ 5,698,659	\$ 6,046,513
Protection to Persons and Property	3,222,643	3,746,967
General Health and Sanitation	1,129,212	1,270,318
Social Services	75,506	68,934
Recreation and Culture	324,093	415,419
Roads	1,774,446	1,896,582
Debt Service	584,195	1,739,195
Capital Projects	107,994	4,390
Jail Canteen Fund	<u>605,876</u>	<u>559,492</u>
Total Expense	\$ 13,522,624	\$15,747,810
<b>Change in Net Assets</b>	<b><u>\$ 2,651,151</u></b>	<b><u>\$ (897,389)</u></b>
Beginning Net Assets (restated)	7,336,037	9,987,188
<b>Ending Net Assets</b>	<b><u>\$ 9,987,188</u></b>	<b><u>\$ 9,089,799</u></b>

**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
 (Continued)

**Hopkins County**  
**Program Revenues 2005**

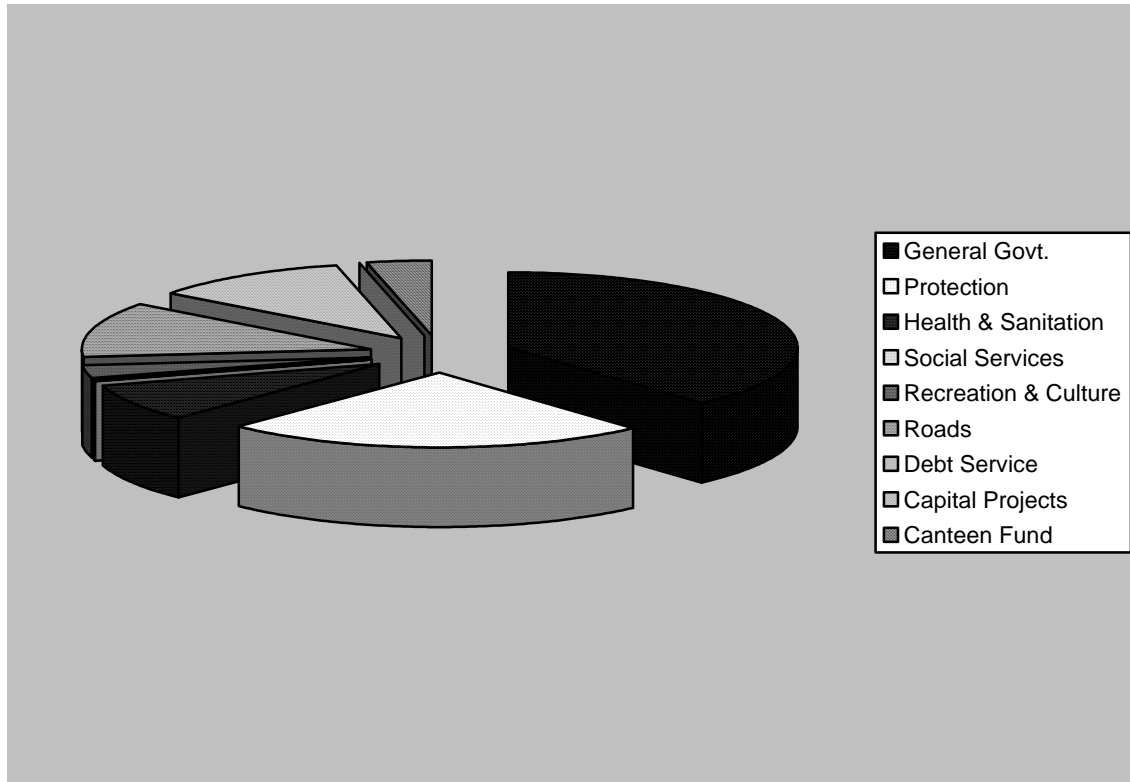


**Hopkins County**  
**General Revenues 2005**



**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
 (Continued)

**Hopkins County**  
**Program Expense 2005**



**Financial Analysis of the County's Funds.** As noted earlier, Hopkins County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

*Governmental Funds Overview.* The focus of Hopkins County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of fiscal year end June 30, 2005, the combined ending fund balance of County governmental funds was \$6,483,285. This consists of unreserved fund balance of \$6,269,041, which is available as working capital and for current spending in accordance with the purposes of the specific funds, \$214,244 reserved fund balance for encumbrances and \$291 of reserved fund balance for debt service.

The county has (5) five major governmental, and (2) two non-major funds.

**Major Funds:**

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund (LGEA)
- Contingency Fund

**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
(Continued)

Non-major Funds:

- Tourism Fund
  - Local Government Economic Development Fund
1. The General Fund is the chief operating fund of Hopkins County. At the end of June 30, 2005 fiscal year, unreserved fund balance and total fund balance of the General Fund was \$2,029,377, of which \$1,976,342 was unreserved. The County received \$4,998,966 in real and personal property, motor vehicle, and other taxes for approximately 63% of the county's general revenues. Various other service fees, licenses & permits, interest and miscellaneous revenues contribute to the remaining 37% of the revenues.
  2. The Road Fund is the fund related to County road construction and maintenance. The fiscal year 2005 expenditures for Road Fund were \$2,733,064.
  3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund received \$2,386,540 from intergovernmental fees, primarily for housing prisoners.
  4. The Local Government Economic Assistance Fund (LGEA) had a fund balance of \$1,706,076 as of June 30, 2005.
  5. The Contingency Fund had a fund balance of \$2,110,604 as of June 30, 2005.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Hopkins County has (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at fiscal year end June 30, 2005, amounted to \$54,146 and total net assets were \$65,896.

**General Fund Budgetary Highlights.** Hopkins County budget was amended during the fiscal year increasing the budgeted revenues by \$399,050 and increasing the budgeted expenditures by \$214,050. Actual revenues were \$689,287 over budget. Actual expenditures were \$1,023,582 under budget.

**Capital Assets and Debt Administration.**

*Capital Assets.* Hopkins County's investment in capital assets for its government and business type activities as of June 30, 2005, amounted to \$13,475,527 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure.

Additional information of the County's capital assets can be found in Note 3 of this report

**HOPKINS County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
(Continued)

**Table 3**  
**Hopkins County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2005</b>
Infrastructure	778,798	1,621,197			1,621,197
Land	406,500	406,500			406,500
Buildings & Improvements	10,865,290	10,589,498			10,589,498
Other Equipment	513,947	577,268			577,268
Vehicles & Equipment	350,445	275,864		5,200	281,064
Total Net Capital Assets	12,914,980	13,470,327		5,200	13,475,527

*Long-Term Debt.* At the end of the 2005 fiscal year, Hopkins County had total bonded debt outstanding of \$10,930,000, made up entirely from General Obligation Bonds. Additional information on the county's long-term debt can be found in Note 5 to the financial statements.

**Requests For Information.** This financial report is designed to provide a general overview of Hopkins County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to Patricia Hawkins, Hopkins County Judge/Executive.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**JUNE 30, 2005**





**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**JUNE 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,483,576	\$ 60,696	\$ 6,544,272
Total Current Assets	<u>6,483,576</u>	<u>60,696</u>	<u>6,544,272</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	406,500		406,500
Buildings	10,589,498		10,589,498
Other Equipment	577,268		577,268
Vehicles and Equipment	275,864	5,200	281,064
Infrastructure Assets - Net of Depreciation	<u>1,621,197</u>		<u>1,621,197</u>
Total Noncurrent Assets	<u>13,470,327</u>	<u>5,200</u>	<u>13,475,527</u>
Total Assets	<u>19,953,903</u>	<u>65,896</u>	<u>20,019,799</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	<u>695,000</u>		<u>695,000</u>
Total Current Liabilities	<u>695,000</u>		<u>695,000</u>
Noncurrent Liabilities:			
Bonds Payable	<u>10,235,000</u>		<u>10,235,000</u>
Total Noncurrent Liabilities	<u>10,235,000</u>		<u>10,235,000</u>
Total Liabilities	<u>10,930,000</u>		<u>10,930,000</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,540,327	5,200	2,545,527
Restricted For:			
Debt Service	291		291
Other Purposes		6,550	6,550
Unrestricted	<u>6,483,285</u>	<u>54,146</u>	<u>6,537,431</u>
Total Net Assets	<u>\$ 9,023,903</u>	<u>\$ 65,896</u>	<u>\$ 9,089,799</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities :				
General Government	\$ 6,046,513	\$ 60,073	\$ 934,656	\$ 209,603
Protection to Persons and Property	3,746,967	230,285	2,386,540	
General Health and Sanitation	1,270,318	9,209	1,122,571	17,910
Social Services	68,934			
Recreation and Culture	415,419			
Roads	1,896,582		1,377,011	34,695
Debt Service	1,739,195			
Capital Projects	4,390			
Total Governmental Activities	15,188,318	299,567	5,820,778	262,208
Business-type Activities:				
Jail Canteen	559,492	592,582		
Total Business-type Activities	559,492	592,582		
Total Primary Government	\$ 15,747,810	\$ 892,149	\$ 5,820,778	\$ 262,208

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Unrestricted Investment Earnings

Gain on Disposal

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (4,842,181)	\$	\$ (4,842,181)
(1,130,142)		(1,130,142)
(120,628)		(120,628)
(68,934)		(68,934)
(415,419)		(415,419)
(484,876)		(484,876)
(1,739,195)		(1,739,195)
(4,390)		(4,390)
(8,805,765)		(8,805,765)
	33,090	33,090
	33,090	33,090
(8,805,765)	33,090	(8,772,675)
1,496,385		1,496,385
166,601		166,601
232,321		232,321
3,242,384		3,242,384
1,615,766		1,615,766
200,940	24	200,964
32,533		32,533
888,332		888,332
7,875,262	24	7,875,286
(930,503)	33,114	(897,389)
9,954,406	32,782	9,987,188
\$ 9,023,903	\$ 65,896	\$ 9,089,799

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**JUNE 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,029,377	\$ 204,330	\$ 253,607	\$ 1,706,076
Total Assets	<u>\$ 2,029,377</u>	<u>\$ 204,330</u>	<u>\$ 253,607</u>	<u>\$ 1,706,076</u>
 <b>FUND BALANCES</b>				
Reserved				
Encumbrances	\$ 53,035	\$ 133,472	\$ 26,106	\$ 1,631
Debt Service Fund			291	
Unreserved:				
General Fund	1,976,342			
Special Revenue Funds		70,858	227,210	1,704,445
Total Fund Balances	<u>\$ 2,029,377</u>	<u>\$ 204,330</u>	<u>\$ 253,607</u>	<u>\$ 1,706,076</u>

The accompanying notes are an integral part of the financial statements.



**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**JUNE 30, 2005**  
**(Continued)**

<b>Contingency Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 2,110,604</u>	<u>\$ 179,582</u>	<u>\$ 6,483,576</u>
<u>\$ 2,110,604</u>	<u>\$ 179,582</u>	<u>\$ 6,483,576</u>
\$	\$	\$ 214,244
		291
		1,976,342
<u>2,110,604</u>	<u>179,582</u>	<u>4,292,699</u>
<u>\$ 2,110,604</u>	<u>\$ 179,582</u>	<u>\$ 6,483,576</u>

**Reconciliation to Statement of Changes In Net Assets:**

Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	6,483,576
Total Fund Balances	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	18,157,032
Accumulated Depreciation	(4,686,705)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Bonded Debt	(10,930,000)
Net Assets Of Governmental Activities	<u>\$ 9,023,903</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 4,998,966	\$	\$	\$
Excess Fees	1,615,766			
Licenses and Permits	34,760			
Intergovernmental	1,144,259	1,411,706	2,386,540	1,140,481
Charges for Services	60,073		230,285	9,209
Miscellaneous	59,413	469,628	198,645	204,946
Interest	69,983	9,179	6,168	45,454
Total Revenues	<u>7,983,220</u>	<u>1,890,513</u>	<u>2,821,638</u>	<u>1,400,090</u>
<b>EXPENDITURES</b>				
General Government	4,231,612	218,415	646,992	1,110,047
Protection to Persons and Property	335,748		2,791,042	205,991
General Health and Sanitation	73,866			1,175,725
Social Services	68,934			
Recreation and Culture	9,186			380,000
Roads		1,586,560		223,467
Debt Service			2,159,195	
Capital Projects	4,330	928,089		
Total Expenditures	<u>4,723,676</u>	<u>2,733,064</u>	<u>5,597,229</u>	<u>3,095,230</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,259,544</u>	<u>(842,551)</u>	<u>(2,775,591)</u>	<u>(1,695,140)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Refunding Proceeds			10,930,000	
Payment to Bond Escrow Agent			(9,755,000)	
Transfers From Other Funds		840,000	1,510,000	750,000
Transfers To Other Funds	(3,600,000)			
Total Other Financing Sources (Uses)	<u>(3,600,000)</u>	<u>840,000</u>	<u>2,685,000</u>	<u>750,000</u>
Net Change in Fund Balances	(340,456)	(2,551)	(90,591)	(945,140)
Fund Balances - Beginning	2,369,833	206,881	344,198	2,651,216
Fund Balances - Ending	<u>\$ 2,029,377</u>	<u>\$ 204,330</u>	<u>\$ 253,607</u>	<u>\$ 1,706,076</u>

The accompanying notes are an integral part of the financial statements.

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Contingency Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 103,965	\$ 5,102,931
		1,615,766
		34,760
		6,082,986
		299,567
		932,632
69,312	844	200,940
<u>69,312</u>	<u>104,809</u>	<u>14,269,582</u>
		6,207,066
		3,332,781
		1,249,591
		68,934
	26,233	415,419
		1,810,027
		2,159,195
		932,419
	<u>26,233</u>	<u>16,175,432</u>
<u>69,312</u>	<u>78,576</u>	<u>(1,905,850)</u>
		10,930,000
		(9,755,000)
500,000		3,600,000
		(3,600,000)
<u>500,000</u>		<u>1,175,000</u>
569,312	78,576	(730,850)
1,541,292	101,006	7,214,426
<u>\$ 2,110,604</u>	<u>\$ 179,582</u>	<u>\$ 6,483,576</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**





**HOPKINS COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**Reconciliation to the Statement of Activities:**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (730,850)
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Book Value-Disposed Assets	(11,767)
Capital Outlay	1,290,697
Depreciation Expense	(723,583)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

These transactions, however, have no effect on net assets.

Bond Refunding Issuance Proceeds	(10,930,000)
Bond Payments to Escrow Agent	9,755,000
Bond Payments	<u>420,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (930,503)</u></u>
---	----------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 205**



**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Jail Canteen Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 60,696	
Total Current Assets	<u>60,696</u>	
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	6,500	
Less Accumulated Depreciation	<u>(1,300)</u>	
Total Noncurrent Assets	<u>5,200</u>	
Total Assets	<u>65,896</u>	
<b>Net Assets</b>		
Invested in Capital Assets,		
Net of Related Debt	5,200	
Restricted	6,550	
Unrestricted	<u>54,146</u>	
Total Net Assets	<u>\$ 65,896</u>	

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**





**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 567,985
Total Operating Revenues	<u>567,985</u>
<b>Operating Expenses</b>	
Cost of Sales	172,388
Personnel Costs	31,063
Depreciation	1,300
Miscellaneous	<u>5,188</u>
Total Operating Expenses	<u>209,939</u>
Operating Income (Loss)	<u>358,046</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	24
Inmate Pay From State	24,597
Fees to Fiscal Court	(290,188)
Inmate Refunds	<u>(59,365)</u>
Total Nonoperating Revenues (Expenses)	<u>(324,932)</u>
Change In Net Assets	33,114
Total Net Assets - Beginning	<u>32,782</u>
Total Net Assets - Ending	<u><u>\$ 65,896</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 567,985
Cost of Sales	(172,388)
Personnel Costs	(31,063)
Miscellaneous	(5,188)
Net Cash Provided By Operating Activities	<u>359,346</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	24,597
Fees to Fiscal Court	(290,188)
Inmate Refunds on Accounts	(59,365)
Net Cash (Used) By Noncapital Financing Activities	<u>(324,956)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Assets Purchased	(6,500)
Net Cash (Used) By Capital and Related Financing Activities	<u>(6,500)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	24
Net Cash Provided By Investing Activities	<u>24</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,914
Cash and Cash Equivalents - July 1, 2004	<u>32,782</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 60,696</u></u>

The accompanying notes are an integral part of the financial statements.

**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income (Loss)	\$ 358,046
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>1,300</u>
Net Cash Provided By Operating Activities	<u><u>\$ 359,346</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	48
NOTE 2.	DEPOSITS.....	53
NOTE 3.	CAPITAL ASSETS .....	54
NOTE 4.	SHORT-TERM DEBT.....	55
NOTE 5.	LONG-TERM DEBT .....	55
NOTE 6.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	56
NOTE 7.	COMMITMENTS AND CONTINGENCIES .....	56
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM .....	57
NOTE 9.	DEFERRED COMPENSATION .....	57
NOTE 10.	INSURANCE .....	57

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Hopkins County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

**C. Hopkins County Elected Officials Not Part Of Hopkins County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hopkins County, Kentucky.



HOPKINS COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005  
 (Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Hopkins County Elected Officials Not Part Of Hopkins County, Kentucky (Continued).**

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund-The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user fees, and recreational area user fees. The governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Contingency Fund-The primary purpose of this fund is to annually set aside some investments for future contingencies.

The primary government also has the following non-major funds: Tourism Fund and Local Government Economic Development Fund.

**Special Revenue Funds**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Local Development Economic Development Fund, Contingency Fund, and Tourism Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Furniture and Fixtures	2,500	3-25
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance if applicable.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hopkins County Fiscal Court: the Medical Center Ambulance Service.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Hopkins County Fiscal Court: the Hopkins County Joint Planning Commission.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 406,500	\$	\$	\$ 406,500
Construction In Progress				
Total Capital Assets Not Being Depreciated	406,500			406,500
Capital Assets, Being Depreciated:				
Buildings	13,004,488	53,906		13,058,394
Other Equipment	1,824,292	191,598	(38,000)	1,977,890
Vehicles and Equipment	938,193	70,615	(102,350)	906,458
Infrastructure	833,212	974,578		1,807,790
Total Capital Assets Being Depreciated	16,600,185	1,290,697	(140,350)	17,750,532
Less Accumulated Depreciation For:				
Buildings	(2,139,198)	(329,698)		(2,468,896)
Other Equipment	(1,310,345)	(126,277)	36,000	(1,400,622)
Vehicles and Equipment	(587,748)	(135,429)	92,583	(630,594)
Infrastructure	(54,414)	(132,179)		(186,593)
Total Accumulated Depreciation	(4,091,705)	(723,583)	128,583	(4,686,705)
Total Capital Assets, Being Depreciated, Net	12,508,480	567,114	(11,767)	13,063,827
Governmental Activities Capital Assets, Net	<u>\$ 12,914,980</u>	<u>\$ 567,114</u>	<u>\$ (11,767)</u>	<u>\$ 13,470,327</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$	\$ 6,500	\$	\$ 6,500
Total Capital Assets Being Depreciated		6,500		6,500
Less Accumulated Depreciation For:				
Vehicles and Equipment		(1,300)		(1,300)
Total Accumulated Depreciation		(1,300)		(1,300)
Total Capital Assets, Being Depreciated, Net		5,200		5,200
Business-Type Activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 5,200</u>	<u>\$ 0</u>	<u>\$ 5,200</u>

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 77,282
Protection to Persons and Property	414,186
General Health and Sanitation	20,727
Roads, Including Depreciation of General Infrastructure Assets	<u>211,388</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 723,583</u>

Business-Type Activities

Jail Canteen	<u>\$ 1,300</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,300</u>

**Note 4. Short-term Debt**

In July 2004, Pendleton County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$3,177,300, with principal being due in January 2005. While the county did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky advance Revenue Program of \$9,758.

**Note 5. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2005**

The fiscal court issued obligations, dated June 1, 2005 and payable in 15 annual installments beginning February 1, 2006, and semi-annual interest payments on the first of February and August at varying rates from 3% to 4%. The fiscal court issued the bonds for the purpose of advanced refunding of all outstanding County of Hopkins, Kentucky General Obligation bonds (Detention Facility Project), Series 2000 and paying the associated costs of issuing the bonds. As of June 30, 2005, bonds outstanding were \$10,930,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 695,000	\$ 258,717
2007	590,000	367,225
2008	605,000	349,525
2009	620,000	331,375
2010	645,000	312,775
2011-2015	3,545,000	1,231,475
2016-2020	<u>4,230,000</u>	<u>521,200</u>
Totals	<u>\$ 10,930,000</u>	<u>\$ 3,372,292</u>

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 5. Long-term Debt (Continued)**

**B. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 10,175,000	\$10,930,000	\$10,175,000	\$10,930,000	\$ 695,000
Governmental Activities Long-term Liabilities	<u>\$ 10,175,000</u>	<u>\$10,930,000</u>	<u>\$ 10,175,000</u>	<u>\$10,930,000</u>	<u>\$ 695,000</u>

**Note 6. Interest On Long-term Debt**

Debt Service on the Statement of Activities includes \$564,195 in interest on bonds and an economic loss of \$1,175,000 on the refunding bond issue.

**Note 7. Commitments and Contingencies**

**A. Ambulance Service Contract**

The Medical Center Ambulance Service, Incorporated (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, and such lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under terms of the lease, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the County. MCAS has agreed to provide suitable and necessary ambulance service on a twenty-four hour basis to the residents of Hopkins County and to other persons requiring such services while in Hopkins County.

Under the lease agreement between MCAS and Hopkins County, the county has agreed to reimburse MCAS during the term of the lease for losses incurred in its operation. The county's obligation is limited to the amount budgeted in any given year. The amount included in the budget may not go below \$66,272. MCAS records such subsidy as a reduction of the excess of expenses over revenues in the year in which such excess expenses incurred.

**B. Landfill Closure and Postclosure Costs**

The Hopkins County landfill was closed in June 1992. The county must comply with established state and federal landfill closure and postclosure procedures and must perform maintenance and monitor procedures. Estimated postclosure care costs total \$955,000. The cost may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that postclosure costs will be paid out of the Local Government Economic Assistance Fund to the extent that funds are available, with any excess costs being funded using long-term borrowings.



HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
(Continued)

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Deferred Compensation**

Hopkins County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Insurance**

For the fiscal year ended June 30, 2005, Hopkins County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**



**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,956,500	\$ 3,956,500	\$ 4,998,966	\$ 1,042,466
Excess Fees	1,536,250	1,536,250	1,615,766	79,516
Licenses and Permits	85,000	85,000	34,760	(50,240)
Intergovernmental Revenue	1,305,433	1,704,483	1,144,259	(560,224)
Charges for Services	2,000	2,000	60,073	58,073
Miscellaneous	5,600	5,600	59,413	53,813
Interest	4,100	4,100	69,983	65,883
Total Revenues	6,894,883	7,293,933	7,983,220	689,287
<b>EXPENDITURES</b>				
General Government	3,522,015	3,560,003	3,143,433	416,570
Protection to Persons and Property	369,982	773,032	335,748	437,284
General Health and Sanitation	66,900	74,819	73,866	953
Social Services	76,283	78,807	68,934	9,873
Recreation and Culture	19,250	19,250	9,186	10,064
Capital Projects	20,000	20,000	4,330	15,670
Administration	1,458,151	1,220,720	1,088,179	132,541
Total Expenditures	5,532,581	5,746,631	4,723,676	1,022,955
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,362,302	1,547,302	3,259,544	1,712,242
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(3,962,302)	(3,962,302)	(3,600,000)	362,302
Total Other Financing Sources (Uses)	(3,962,302)	(3,962,302)	(3,600,000)	362,302
Net Changes in Fund Balance	(2,600,000)	(2,415,000)	(340,456)	2,074,544
Fund Balance - Beginning	2,600,000	2,600,000	2,369,833	(230,167)
Fund Balance - Ending	\$	\$ 185,000	\$ 2,029,377	\$ 1,844,377

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,339,780	\$ 1,339,780	\$ 1,411,706	\$ 71,926
Miscellaneous	275,300	275,300	469,628	194,328
Interest	4,000	4,000	9,179	5,179
Total Revenues	1,619,080	1,619,080	1,890,513	271,433
<b>EXPENDITURES</b>				
Roads	1,666,787	1,721,787	1,586,560	135,227
Capital Projects	950,000	950,000	928,089	21,911
Administration	297,800	257,800	218,415	39,385
Total Expenditures	2,914,587	2,929,587	2,733,064	196,523
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,295,507)	(1,310,507)	(842,551)	467,956
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,095,507	1,095,507	840,000	(255,507)
Total Other Financing Sources (Uses)	1,095,507	1,095,507	840,000	(255,507)
Net Changes in Fund Balance	(200,000)	(215,000)	(2,551)	212,449
Fund Balance - Beginning	200,000	200,000	206,881	6,881
Fund Balance - Ending	\$	\$ (15,000)	\$ 204,330	\$ 219,330

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,378,946	\$ 2,378,946	\$ 2,386,540	\$ 7,594
Charges for Services	184,100	184,100	230,285	46,185
Miscellaneous	113,400	113,400	198,645	85,245
Interest	3,000	3,000	6,168	3,168
Total Revenues	2,679,446	2,679,446	2,821,638	142,192
EXPENDITURES				
Protection to Persons and Property	2,716,390	2,863,490	2,791,042	72,448
Debt Service	984,200	984,200	2,159,195	(1,174,995)
Administration	744,800	707,700	646,992	60,708
Total Expenditures	4,445,390	4,555,390	5,597,229	(1,041,839)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(1,765,944)	(1,875,944)	(2,775,591)	(899,647)
OTHER FINANCING SOURCES (USES)				
Bond Issuance			10,930,000	10,930,000
Bond Refunding			(9,755,000)	(9,755,000)
Transfers From Other Funds	1,415,944	1,415,944	1,510,000	94,056
Total Other Financing Sources (Uses)	1,415,944	1,415,944	2,685,000	1,269,056
Net Changes in Fund Balance	(350,000)	(460,000)	(90,591)	369,409
Fund Balance - Beginning	350,000	350,000	344,198	(5,802)
Fund Balance - Ending	\$	\$ (110,000)	\$ 253,607	\$ 363,607

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,032,500	\$ 2,032,500	\$ 1,140,481	\$ (892,019)
Charges for Services	11,000	11,000	9,209	(1,791)
Miscellaneous	123,300	123,300	204,946	81,646
Interest	10,000	10,000	45,454	35,454
Total Revenues	<u>2,176,800</u>	<u>2,176,800</u>	<u>1,400,090</u>	<u>(776,710)</u>
<b>EXPENDITURES</b>				
General Government	2,927,613	2,928,613	944,430	1,984,183
Protection to Persons and Property	209,700	209,700	205,991	3,709
General Health and Sanitation	1,696,138	1,798,138	1,175,725	622,413
Recreation and Culture	485,000	485,000	380,000	105,000
Roads	225,000	225,000	223,467	1,533
Capital Projects	3,000			
Administration	231,200	191,200	165,617	25,583
Total Expenditures	<u>5,777,651</u>	<u>5,837,651</u>	<u>3,095,230</u>	<u>2,742,421</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,600,851)</u>	<u>(3,660,851)</u>	<u>(1,695,140)</u>	<u>1,965,711</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	950,851	950,851	750,000	(200,851)
Total Other Financing Sources (Uses)	<u>950,851</u>	<u>950,851</u>	<u>750,000</u>	<u>(200,851)</u>
Net Changes in Fund Balances	(2,650,000)	(2,710,000)	(945,140)	1,764,860
Fund Balances - Beginning	<u>2,650,000</u>	<u>2,650,000</u>	<u>2,651,216</u>	<u>1,216</u>
Fund Balances - Ending	<u>\$</u>	<u>\$ (60,000)</u>	<u>\$ 1,706,076</u>	<u>\$ 1,766,076</u>



**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>CONTINGENCY FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Interest	\$ 25,000	\$ 25,000	\$ 69,312	\$ 44,312
Total Revenues	25,000	25,000	69,312	44,312
<b>EXPENDITURES</b>				
Administration	2,065,000	2,065,000		2,065,000
Total Expenditures	2,065,000	2,065,000		2,065,000
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,040,000)	(2,040,000)	69,312	2,109,312
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	500,000	500,000	500,000	
Total Other Financing Sources (Uses)	500,000	500,000	500,000	
Net Changes in Fund Balances	(1,540,000)	(1,540,000)	569,312	2,109,312
Fund Balances - Beginning	1,540,000	1,540,000	1,541,292	1,292
Fund Balances - Ending	\$	\$	\$ 2,110,604	\$ 2,110,604

**HOPKINS COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

1. Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Reconciliation to Jail Fund:

Debt Service Expenditures-Budgetary Basis	\$ 2,159,195
Less: Bond Refunding Not Budgeted	<u>(1,175,000)</u>
	<u>984,195</u>
 Bond Issuance-Budgetary Basis	 10,930,000
Less: Bond Refunding Not Budgeted	<u>(10,930,000)</u>
	<u>0</u>
 Bond Refunding-Budgetary Basis	 9,755,000
Less: Bond Refunding Not Budgeted	<u>(9,755,000)</u>
	<u>\$ 0</u>

**HOPKINS COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**



**HOPKINS COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**

	<b>Local Government Economic Development Fund</b>	<b>Tourism Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$	\$ 179,582	\$ 179,582
Total Assets	<u>179,582</u>	<u>179,582</u>	<u>179,582</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds		179,582	179,582
Total Fund Balances	<u>\$</u>	<u>\$ 179,582</u>	<u>\$ 179,582</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**





**HOPKINS COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	<b>Local Government Economic Development Fund</b>	<b>Tourism Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$	\$ 103,965	\$ 103,965
Interest		844	844
Total Revenues		<u>104,809</u>	<u>104,809</u>
<b>EXPENDITURES</b>			
Recreation and Culture		<u>26,233</u>	<u>26,233</u>
Total Expenditures		<u>26,233</u>	<u>26,233</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>78,576</u>	<u>78,576</u>
Net Change in Fund Balances		78,576	78,576
Fund Balances - Beginning		<u>101,006</u>	<u>101,006</u>
Fund Balances - Ending	<u>\$</u>	<u>\$ 179,582</u>	<u>\$ 179,582</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**HOPKINS COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2005**



**HOPKINS COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2005**

**CURRENT YEAR COMMENTS**

**STATE LAWS AND REGULATIONS**

**The Former Jailer, Jim Lantrip, Had Undisclosed Cash Disbursements Of \$29,693**

The Office of the Auditor of Public Accounts was notified of a “vending machine account” being maintained by the former Jailer. Receipts were not deposited into an official bank account and expenditures were made in cash. There was not an account at a bank to record the transactions of these funds. Neither the County Treasurer nor the firm of Peercy and Gray, PSC, was aware that this account existed until August 24, 2005. The Sheriff, who was the acting Jailer, discovered the account and notified the County Treasurer, and she immediately notified us.

The former Jailer’s records indicated that the vending machine activities started June 20, 2001: had cash receipts of \$29,946; cash disbursements of \$28,693; and an ending balance of \$1,253. Cash of \$1,253 was remitted to the County Treasurer September 9, 2005.

The receipts consisted of: vending commissions for drinks \$21,546; transportation fuel reimbursements \$5,649; vending commissions for candy machine \$1,605; calendar advertisements \$585; employee reimbursements \$321; and miscellaneous receipts of \$240. The total receipts of \$29,946 are based solely on the former Jailer’s records.

The disbursements consisted of: drinks purchased \$11,049; transport fuel \$5,649, equipment purchases \$4,740; grounds improvements \$2,005; volunteer appreciation \$1,211; inmate purchases \$854; retirement gifts \$687; funeral flowers \$579; training and conferences \$451; miscellaneous expenditures \$394; competitions \$316; deputy items to be reimbursed \$309; food for inmate transports \$249; and bonuses \$200. The total disbursements of \$28,693 are based solely on the former jailer’s records.

KRS 68.210 requires all local government officials and employees to adhere to minimum requirements when handling public funds. These requirements include that daily deposits be made into a federally insured banking institution. These cash receipts were maintained at the jail and never remitted or disclosed to the County Treasurer.

The cash expenditures were not presented to or approved by fiscal court, nor are these expenditures reflected in the Jail Fund budget. KRS 441.225 states: “such expenditures shall only be made in accordance with the line item jail budget duly adopted or amended by the fiscal court and the established county procurement code or purchase order procedure of the county. Payment for purchases for the jail shall be subjected to fiscal court approval prior to payment. The fiscal court shall not withhold approval of payment for jail expenditures, which are within the jail budget and not unlawful.”

KRS 68.275 requires that claims against the county that are within the amount of line items of the county budget and arise pursuant to contracts duly authorized by the fiscal court shall be paid by the County Judge/ Executive by a warrant drawn on the county and co-signed by the County Treasurer. The County Judge/Executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid.

**HOPKINS COUNTY**  
**COMMENT AND RECOMMENDATION**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

STATE LAWS AND REGULATIONS

The Former Jailer, Jim Lantrip, Had Undisclosed Cash Disbursements Of \$29,693 (Continued)

We recommend that the fiscal court review all cash disbursements made from this account. If claims or expenditures are not approved by fiscal court, we recommend that the former Jailer personally remit funds in the amount of the unapproved claims to the County Treasurer.

*Former Jailer, Jim Lantrip's Response:*

*At my direction, Bette Arison, Jail Bookkeeper, maintained excellent records for this account and was complimented by the auditor on her excellent recordkeeping. I can assure you that I never personally handled money from this account. I never received any personal benefit or gain from the account. All profits from this account were spent either directly on the jail or to benefit the jail and the taxpayers of Hopkins County.*

**PRIOR YEAR COMMENT**

The Former Jailer, Jim Lantrip, Had Undisclosed Cash Disbursements Of \$29,693

This comment was repeated in 2005.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







## **PEERCY AND GRAY, PSC**

### **Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Patricia Hawkins, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 3, 2005. Hopkins County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hopkins County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards.

- The Former Jailer, Jim Lantrip, Had Undisclosed Cash Disbursements Of \$29,693

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid, with the letters "P", "G", and "P" being notably large and stylized.

Percy and Gray, PSC  
Certified Public Accountants

Audit fieldwork completed -  
November 3, 2005

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HOPKINS COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



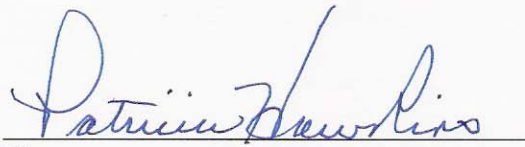
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HOPKINS COUNTY FISCAL COURT

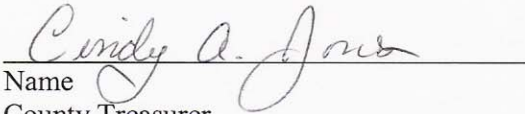
For The Fiscal Year Ended June 30, 2005

The Hopkins County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in blue ink, reading "Patricia Hawkins", written over a horizontal line.

Name

County Judge/Executive

A handwritten signature in blue ink, reading "Cindy A. Jones", written over a horizontal line.

Name

County Treasurer

